

**STATEMENT OF
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DEPARTMENT OF VETERANS AFFAIRS**

**BEFORE THE
COMMITTEE ON BANKING, HOUSING AND URBAN AFFAIRS
HEARING ON IMPLEMENTATION OF P.L. 104-134**

May 22, 1997

Mr. Chairman, members of the Committee, I am pleased to present the Department's views on Electronic Benefits Transfer (EBT). As you know, Electronic Fund Transfer (EFT) becomes mandatory January 1, 1999, through enactment of the Debt Collection Improvement Act of 1996. In the National Performance Review, the Vice President encouraged agencies to develop Electronic Benefits Transfer (EBT) programs.

The Department of Veterans Affairs' Veterans Benefits Administration (VBA) has been aggressively promoting electronic fund transfer for the past four years. We estimate approximately 91 percent of our beneficiaries currently have a checking or savings account. Of that 91 percent, approximately 60 percent are currently receiving benefits through electronic funds transfer.

The remaining 9 percent are referred to as "unbanked recipients." This means that they do not have a checking or savings account. An estimated breakdown of that 9 percent in numbers is as follows:

PROGRAM

NUMBER OF RECIPIENTS

Compensation and Pension	120,000
Insurance	180,000
Education	<u>29,000</u>
TOTAL	329,000

Without an account at a financial institution, these recipients cannot receive their Federal benefits via Direct Deposit. In order to afford unbanked recipients with a safe, reliable and economical means of accessing their benefits, VA - together with Treasury and other agencies - has been involved in the development of EBT. EBT allows recipients who do not have bank accounts to establish an “electronic bank account” with debit-only access through automated teller machines (ATM) and point-of-sale (POS) terminals. The EBT program is also known as the Benefit Security Card (BSC). Think of the BSC as a traditional ATM card.

The VA is participating in the limited test pilot program developed by the Department of Treasury in Alabama in April 1997, with expanded testing statewide beginning June 1, 1997. In addition, plans are to expand the pilot program to Missouri, Georgia and Arkansas in the next two months, and ultimately it will be expanded throughout a total of eight Southern states.

Although direct deposit will continue to be the preferred method of payment for people with accounts at financial institutions, beneficiaries who have been unable or unwilling to establish a traditional bank account may choose the EBT program.

EBT offers the following features to our beneficiaries:

- No existing bank account is needed to enroll.
- Easy access to cash at an ATM, 24 hours a day, 7 days a week.
- Each month, the beneficiary gets one free ATM use and unlimited free use at participating stores to pay for purchases and to get cash back.
- After the first 2 months, it costs the beneficiary \$1.92 a month to maintain the account.

We will provide training at VBA field offices, also known as regional offices, as the Electronic Benefits Transfer pilot program becomes available in those states. The training includes an overview of the program and advises the VBA employee to refer the beneficiary to the participating financial institutions to enroll in the program. The EBT contractor will provide the enrollment information to the beneficiary.

CLOSING

Mr. Chairman, the challenges before us are great but they do not exceed our dedication and commitment to ensuring the most efficient, safest and timely delivery of benefits. We owe veterans and their families the best service we can provide in the most sensitive, caring way possible to ensure that they receive benefits in a manner befitting their service to our Nation. I look forward to working with you and the members of this Committee to meet these challenges. This completes my prepared statement. I will be pleased to answer any questions the Committee might have.

